

## CDCI ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Vigo County Federal Credit Union

|                                |                    |  |             |
|--------------------------------|--------------------|--|-------------|
| Point of Contact:              | Dale Burkitt       | RSSD: (For Bank Holding Companies)                     | 0           |
| UST Sequence Number:           | 1449               | Docket Number: (For Thrift Holding Companies)          |             |
| CPP/CDCI Funds Received:       | 1,229,000          | FDIC Certificate Number: (For Depository Institutions) |             |
| CPP/CDCI Funds Repaid to Date: |                    | Credit Union Charter Number: (For Credit Unions)       | 138         |
| Date Funded (first funding):   | September 30, 2010 | City:  | Terre Haute |
| Date Repaid <sup>1</sup> :     | N/A                | State:   | Indiana     |

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

**What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).**

**Increase lending or reduce lending less than otherwise would have occurred.**

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☐ To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

☐ Increase securities purchased (ABS, MBS, etc.).

☐ Make other investments.

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☐ Increase reserves for non-performing assets.

☐ Reduce borrowings.

☐ Increase charge-offs.

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☐ Purchase another financial institution or purchase assets from another financial institution.

☒ Held as non-leveraged increase to total capital.

The funds were initially used to recover capital lost to Members United Corp. FCU and NCUA assessments which brought our capital ratio below minimum requirements. The secondary capital has brought our capital ratio above 8.0% well capitalized.

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### What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

We were able to increase capital to well capitalized level which removed us from prompt corrective action with NCUA. We lost capital when Members United Corp. FCU used our paid in capital and normal capital account deposited with them to recover some of their losses through the Corporate Credit Union failure. All of our capital invested with Members United Corp. FCU was taken, leaving us with a substantial loss that could not be recovered. NCUA also began assessing Federal Credit Unions to fund the losses or shortcomings of their capital reserves. The results of these two unexpected actions caused us to drop below the well capitalized level of new worth requirements, which placed us under close scrutiny with NCUA until we grew net worth to 7.0%. As of December 31, 2011, our capital was 8.09% which is above the well capitalized requirement. Had we not received the secondary capital loan, we would have struggled to grow our capital adequately to recover those significant losses, therefore placing us in the position of either reducing dividends, which would have driven away our depositors, or seeking a merger partner.

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### **What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?**

We initially invested the funds into bank certificates of deposit and government agencies in order to earn some dividend return on the loan dollars. We are using the funds to assist members in building better credit history by offering a "credit improvement loan" with \$500 maximum amount. This limits our risk of loss, but still provides funds to needy members that otherwise would not be able to pay for necessary repairs of vehicles in order to get to and from work and catch up on utility bills that may have been above their budget due to extremely higher heating and electric costs for the winter months. As a low income designated credit union, we serve many members that could not obtain credit from other financial institutions. We also are providing savings products that are either low or no fee accounts to encourage members to begin saving and managing their money in a more efficient manner. No-fee checking account is just one example that has no monthly fees, no per item cleared fees, no fees whatsoever as long as they carry a positive balance with no minimum required.

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**Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.**

We were able to use some of the loan funds to rebuild our loan portfolio through an extended promotional car special.